H1 2020 results - July 29, 2020

We empower your day

Disclaimer

This document may contain information related to the Group's outlook. Such outlook is based on data, assumptions and estimates that the Group regarded as reasonable at the date of this press release. Those data and assumptions may change or be adjusted as a result of uncertainties relating particularly to the economic, financial, competitive, regulatory or tax environment or as a result of other factors of which the Group was not aware on the date of this press release. Moreover, the materialization of certain risks described in chapter 4 "Risk factors, risk control, insurance policy, and vigilance plan" of the Universal Registration Document for the financial year ended December 31, 2019, and Section 1.4 "Risk Factors" of the half-year financial report as at June 30, 2020, which are available on Elis's website (www. elis.com), may have an impact on the Group's activities, financial position, results or outlook and therefore lead to a difference between the actual figures and those given or implied by the outlook presented in this document. Elis undertakes no obligation to publicly update or revise the Group's outlook or any of the abovementioned data, assumptions or estimates, except as required by applicable laws and regulations. Reaching the outlook also implies success of the Group's strategy. As a result, the Group makes no representation and gives no warranty regarding the attainment of any outlook set out above.

H1 2020 business highlights

H1 2020 financial performance

Outlook

Remarkable H1 achievements in an unprecedented environment: EBITDA margin slightly up & strong improvement of free cash flow

Very resilient H1 2020 financial performance

- Revenue of €1,352mn, down -13.9% at constant FX rates
- H1 organic sales down -14.7% with Q2 down -26.7%
- EBITDA margin up +20bps on the back of significant cost structure adjustments
- Headline net result of €49.7mn
- Free cash flow (after lease payments) of €56.1mn, up +€75mn yoy

Immediate actions to limit the impact on margins and strong focus on cash flow generation

- Up to c. 100 plants shut down at Group level during lockdown period
- Widespread recourse to partial unemployment both at plant and headquarter levels to cope with the decrease in client activity
- Structural cost saving plans launched across the Group
- Review of the 2020 industrial capex plan, with the cancellation of all projects to increase capacity
- Significant productivity improvement in Germany

Strong liquidity and covenant waived until December 2021

- c. €1.1bn of liquidity currently available with €900mn RCF fully undrawn
- No major debt maturity before 2023
- Cancellation of the dividend for 2019
- Net debt of €3,361.7mn as of 31 June 2020 (3.5x Net debt / EBITDA ratio, stable vs 30 June 2019)

Non-essential retail was largely shut down in Europe as of mid-March, with a very material impact for Elis

Implementation of confinement measures and/or closure of non-essential stores across Elis' main countries in Europe

Limited lockdown or no lockdown:

Source: Politico research, Frontex, Oxford Covid-19 Government Response Tracker, Elis analysis

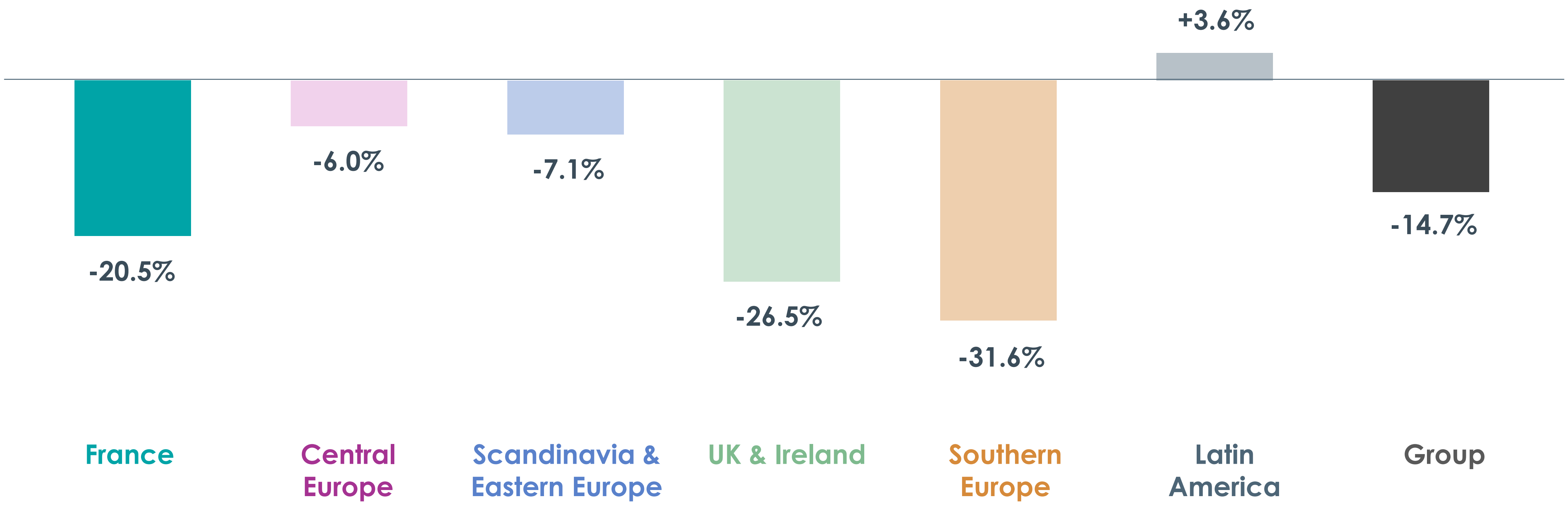
➲ **Elis reacted quickly, announcing on March 17 its first cost-saving measures within the framework of the various government plans to support businesses**

Our end-markets are all impacted, at different levels

End market	H1 2020 organic revenue	Low point during lockdown	Main revenue contributors	Main contributors to 2019 revenue
Industry 29% of total 2019 revenue	c. -5%	c. -15%		Food processing: 25% Pharma: 20% Water / waste management:20% Automotive: 10%
Hospitality 27% of total 2019 revenue	c. -55%	c. -90%		Hotels: 85% Restaurants: 15%
Healthcare 26% of total 2019 revenue	c. -5%	c. -10%		Hospitals and clinics: 80% Nursing homes: 20%
Trade & Services 18% of total 2019 revenue	c. -10%	c. -25%		Small retailers: 20% Major retailers: 20% Facility management: 20% Collective catering: 15%

H1 organic revenue significantly impacted by Covid-19, especially in Southern Europe, UK & Ireland and France

H1 2020 organic revenue evolution by geography



Elis has taken immediate operational actions to preserve revenue, margins and cash generation

Shutdown of plants

- ✓ **Up to c. 100 plants shut down at Group level during lockdown** to reflect the decrease in our client activity
- ✓ **c. 20 plants still closed** as of today, 5 plants permanently shut down

Headcount reduction across the board

- ✓ **Adjustment of production capacity** to volumes treated (blue collars)
- ✓ **Adjustment of plants' operational structure** (production supervisors, commercial teams, maintenance teams, etc…)
- ✓ **Cost-cutting plans in every country head office**, especially in France

Cut in 2020 capex plan

- ✓ **Cancellation of all industrial projects to increase capacity,** with **no carry-forward effect for the next years**
- ✓ **Significant decrease in linen capex for the year** (lower activity leads to **less linen replacement**)

Commercial initiatives to capture additional revenue opportunities

- ✓ **Increase in our Pest Control activity** (especially disinfection) with more opportunities ahead
- ✓ Many **workwear contracts** won in **Healthcare**, in the context of a **switch to the outsourcing model** following the sanitary crisis

Slight EBITDA margin improvement in H1 on speedy implementation of significant cost adjustments in all regions

End market	Revenue loss H1 2020 vs H1 2019	EBITDA loss H1 2020 vs H1 2019	Absorption of topline decrease
France	-€106mn	-€44mn	59%
Central Europe	-€15mn	+€3mn	119%
Scandinavia & Eastern Europe	-€16mn	-€3mn	80%
UK & Ireland	-€51mn	-€18mn	65%
Southern Europe	-€45mn	-€17mn	63%
Latin America	-€21mn	€0mn	100%
Group	-€252mn	-€79mn	69%

Cost-savings achieved on the back of:

Phase 1 (March-May): Swiftly react to the crisis

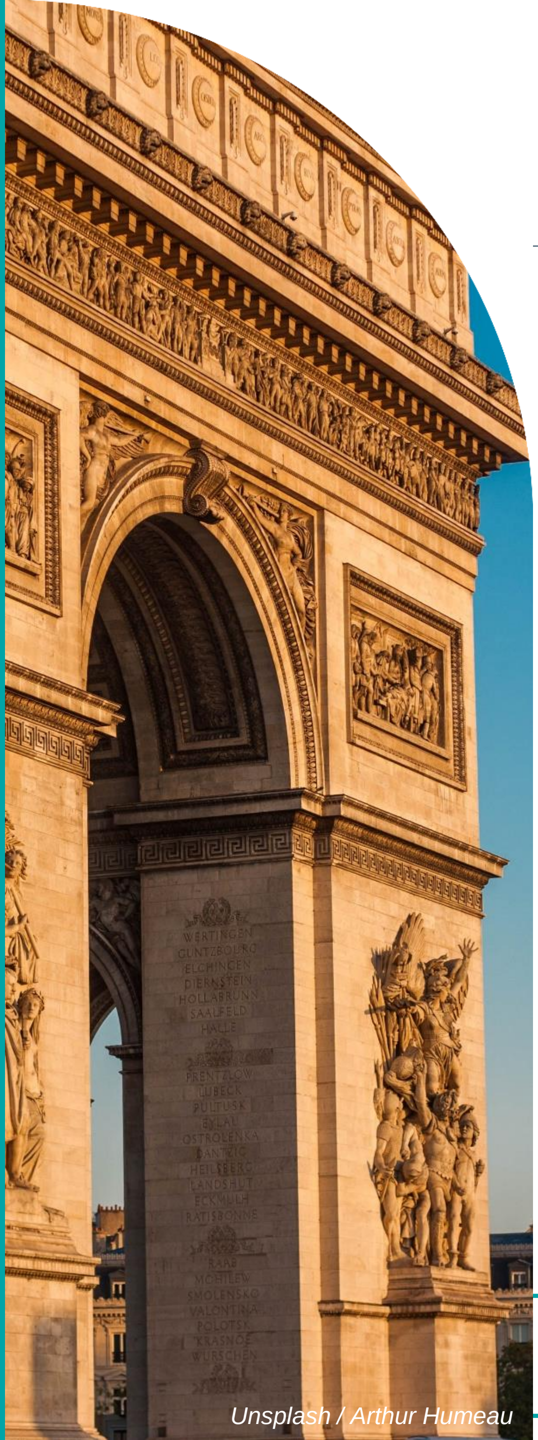
- Termination or non-renewal of temporary / short-term contracts
- Recourse to furlough for employees who are temporarily not working

Phase 2 (since May): Prepare the future

- Permanent shutdown of c. 5 plants across the Group
- Layoffs of full-time employees, both at plant level and centrally

January and February were strong both on topline and EBITDA across the board, with additional productivity gains, notably in Germany and in Brazil

In Brazil, significant positive effect of very profitable, one-off short-term Healthcare contracts (c. €6mn revenue impact)



Unsplash / Arthur Humeau

France: Performance impacted by the weight of Hospitality in the mix

Strong impact of confinement measures on Hospitality

- Hospitality normally represents 1/3 of Group revenue in France
- Hotel activity dropped to virtually zero after mid-Mach lockdown
- Slight improvement in May and June

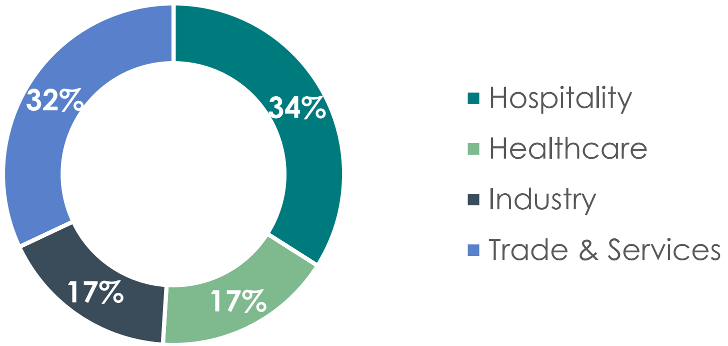
Other end-markets showed good resilience

- Industry and Trade & Services were also impacted but have recovered in May and June
- Healthcare slightly down in H1

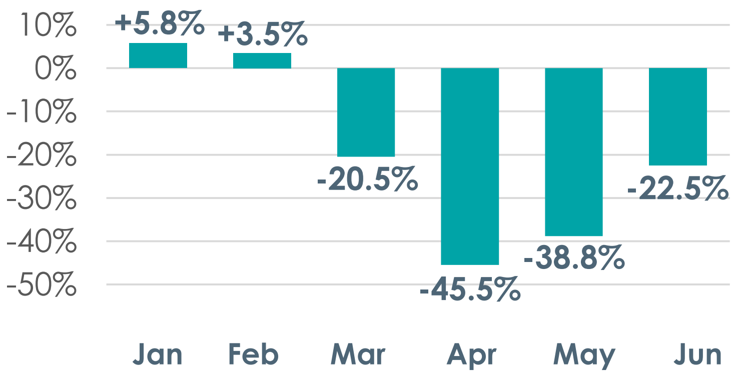
EBITDA margin down -120bps

- Hospitality is a very profitable business in France
- Significant cost-cutting plan both at plant and HQ level, with c. 30 plants shut down, leading to minor implementation delay

FY 2019 revenue breakdown by end-market



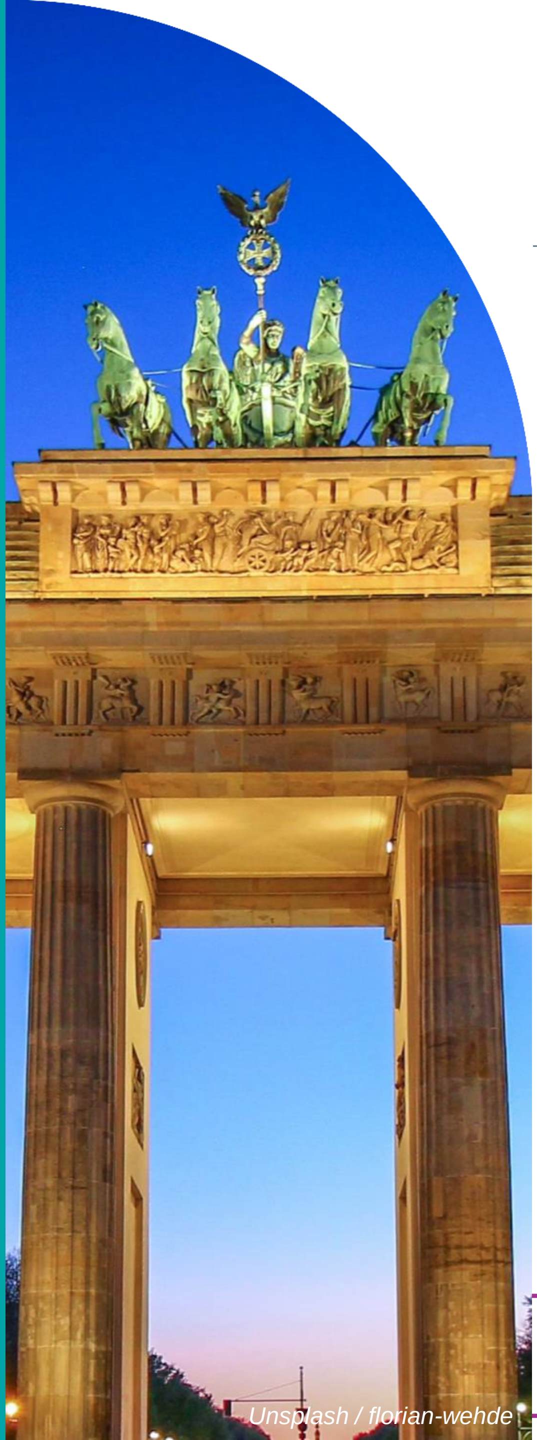
H1 2020 monthly organic sales



Organic revenue down **-20.5%** in H1 2020

EBITDA margin down **-120bps** in H1 2020 (35.1%)

Central Europe: Good topline resilience along with strong EBITDA margin improvement



Good resilience in Germany

- Resilient organic revenue in H1 (c. -5%), notably thanks to Healthcare activity

No impact seen in Netherlands, Poland, Czech Republic, Slovakia, Hungary

- Positive organic revenue growth in H1 in these countries
- High % of Industry clients are almost not impacted by the crisis

Switzerland is more impacted

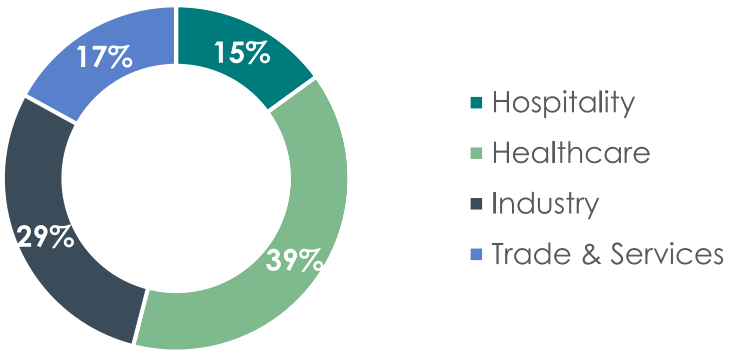
- Higher % of Hospitality in the country revenue mix

Positive calendar effect in June

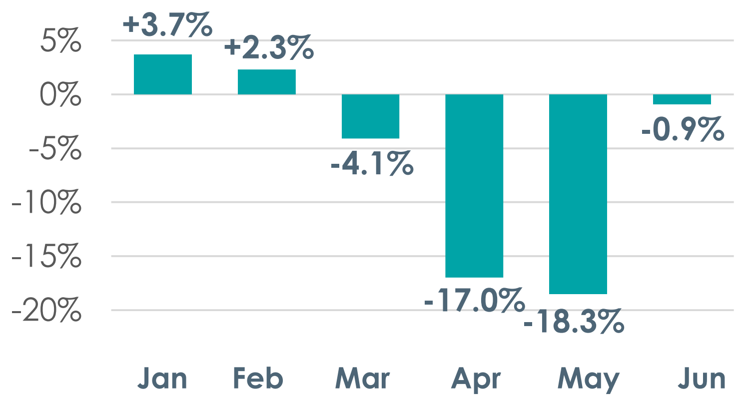
Margin improvement in the region in H1

- Strong focus on cost rationalization and significant productivity improvements in Germany

FY 2019 revenue breakdown by end-market



H1 2020 monthly organic sales



Organic revenue down **-6.0%** in H1 2020

EBITDA margin down **+210bps** in H1 2020 (32.1%)

Scandinavia & Eastern Europe: Moderate revenue slowdown but EBITDA margin improvement

Contained revenue decrease in Denmark, Sweden and Finland

- Organic revenue down c. -11% in Denmark, c. -7% in Sweden and c. -6% in Finland in a context of limited restrictions in these countries

Good trends in Norway and Baltics and Russia

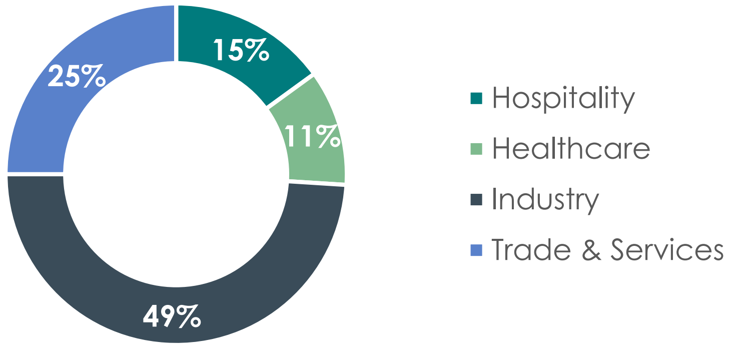
- Very limited to no impact at all: Norway up single digit, Baltics virtually stable

Positive calendar effect in June

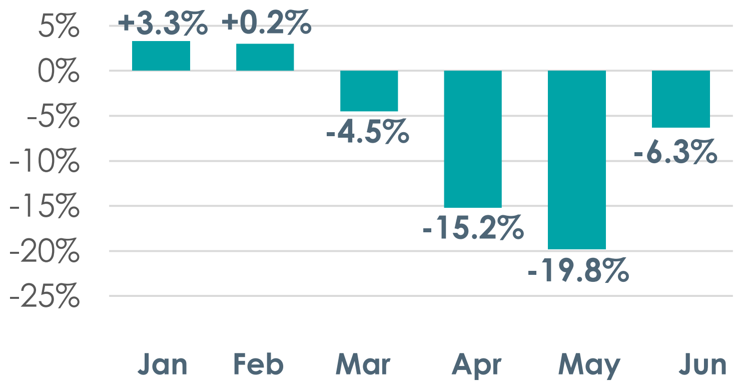
+130bps margin improvement in H1

- Positive mix effect as Hospitality (significantly down in H1) has a lower EBITDA margin than the other end-markets
- Strong focus on cost rationalization in all countries

FY 2019 revenue breakdown by end-market



H1 2020 monthly organic sales



Organic revenue down **-7.1%** in H1 2020

EBITDA margin up **+130bps** in H1 2020 (39.1%)

Unsplash / sabrina-mazzeo

UK & Ireland: Sharp slowdown in Hospitality and in Industry led to both topline and margin decline

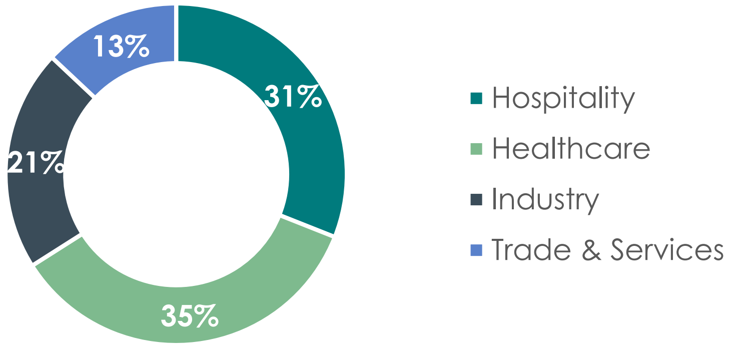
Organic revenue down c. -30% in H1

- Hospitality, Industry and Trade & Services combined represent 2/3 of the region's activity and have been significantly impacted by the lockdown
- In Healthcare, the NHS took measures to make space in hospitals, resulting in a negative volume impact
- Virtually no nursing home clients in our UK portfolio to offset the negative trend in Healthcare
- Significant share of catering clients in the mix, which were also strongly impacted
- No recovery seen in June

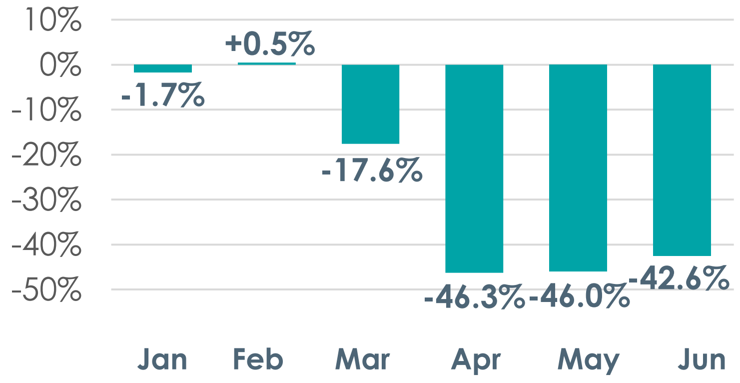
Material margin drop in H1

- Very material cost adjustments implemented from April onwards did not offset the strong topline decrease

FY 2019 revenue breakdown by end-market

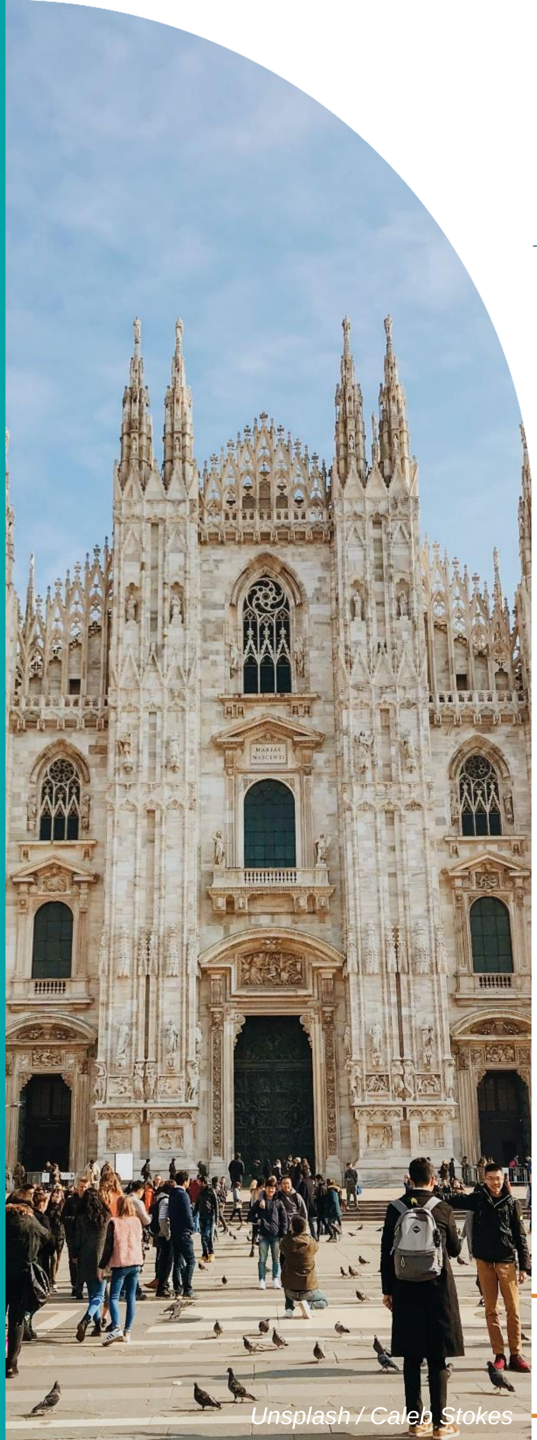


H1 2020 monthly organic sales



Organic revenue down **-26.5%** in H1 2020

EBITDA margin down **-250bps** in H1 2020 (25.6%)



Unsplash / Caleb Stokes

Southern Europe: Topline and margins significantly impacted by Hospitality in Spain and Portugal

After a very good start of the year, Spain and Portugal were strongly impacted due to their exposure to Hospitality

- Double-digit organic decline since March in both countries
- Slight improvement seen in June

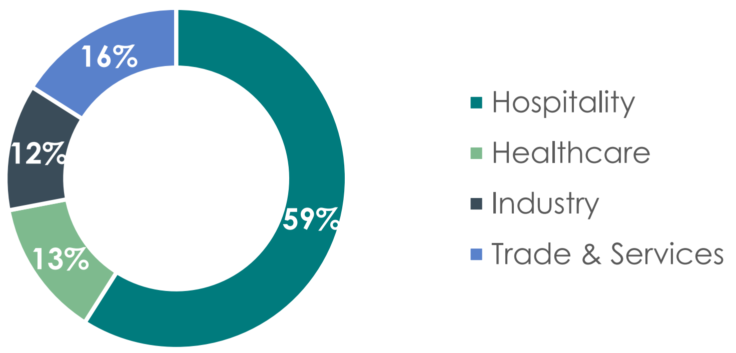
Italy up c. +3% organically in H1

- Revenue is essentially with very resilient industrial clients
- Some commercial success with disinfection services

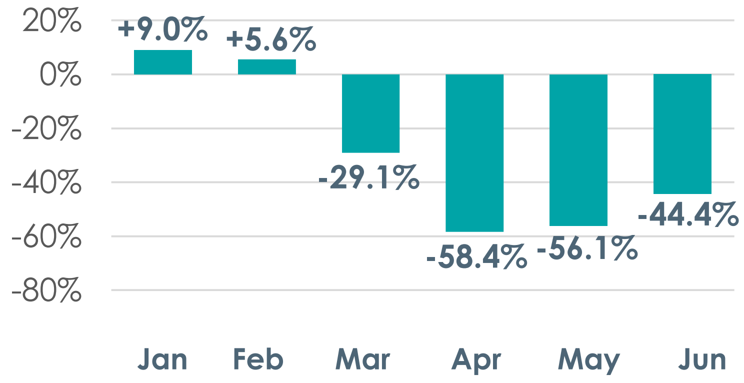
Material margin drop in H1 in the region

- Significant cost base reduction could not offset the very strong topline decrease, but initial delay in implementation of workforce adjustments due to negotiations with working councils

FY 2019 revenue breakdown by end-market

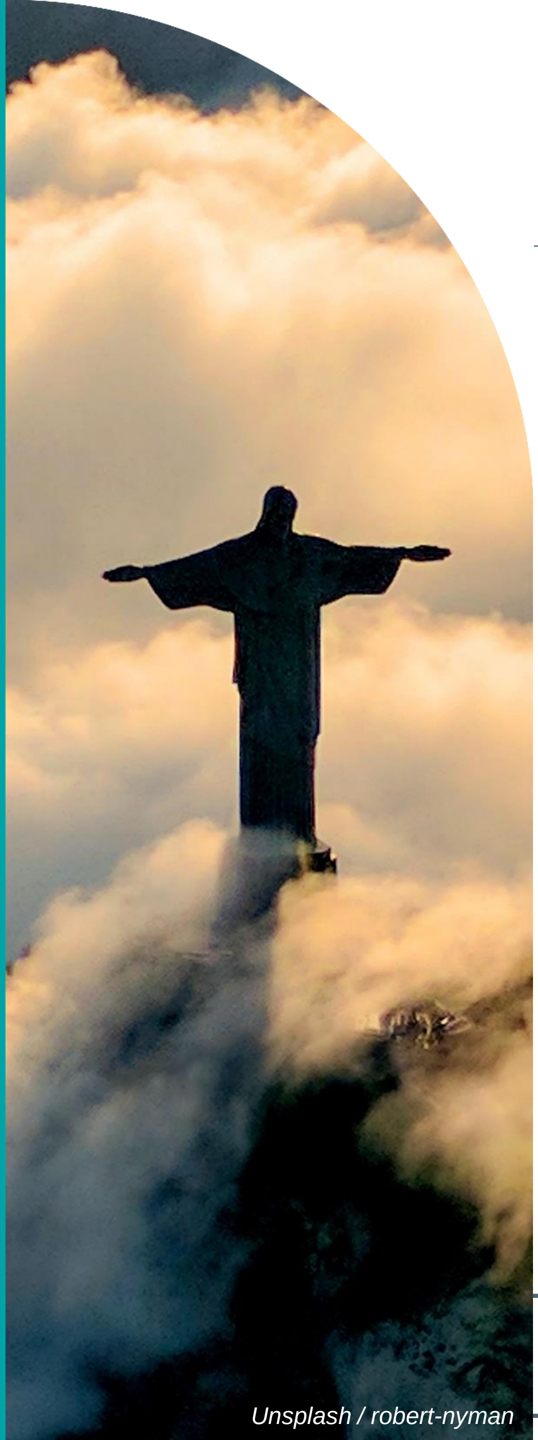


H1 2020 monthly organic sales



Organic revenue down **-31.6%** in H1 2020

EBITDA margin down **-440bps** in H1 2020 (23.0%)



Unsplash / robert-nyman

Latin America: Resilient business despite a slowdown in March and April

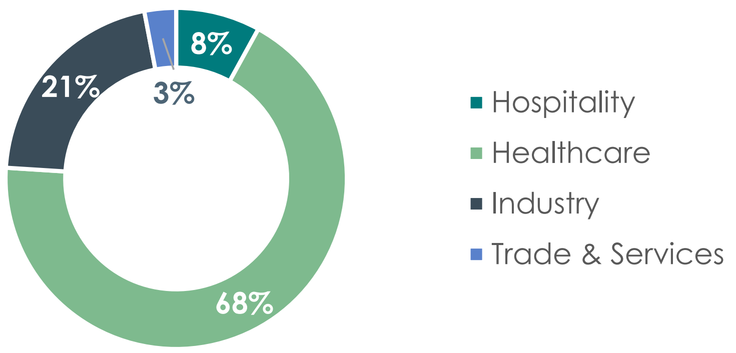
H1 organic revenue growth up +3.4%

- Our Industry business, predominantly with food processing clients, has held up quite well
- Healthcare has been slowing down in March and April as Hospitals took large-scale space-making measures in preparation for the pandemic, but activity has recovered in May and June

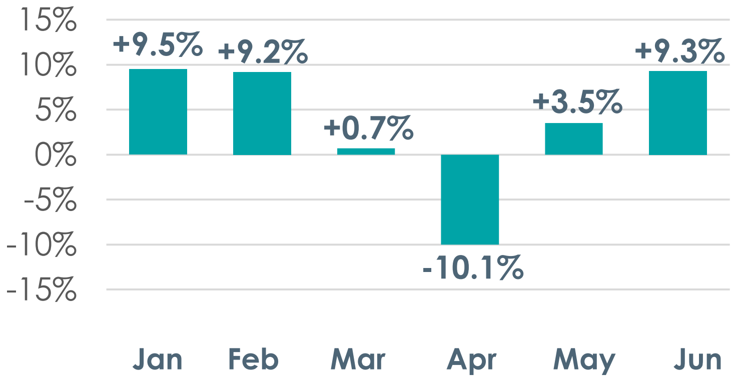
Strong margin improvement in H1 on the back of one-off contract wins

- Very profitable, one-off, short-term contracts won in Brazil (c. €6mn revenue in H1)
- Cost adjustment efforts in a context of limited furlough schemes in Brazil
- Further productivity improvements achieved in Brazil

FY 2019 revenue breakdown by end-market



H1 2020 monthly organic sales



Organic revenue up **+3.6%** in Q1 2020

EBITDA margin up **+530bps** in H1 2020 (34.9%)

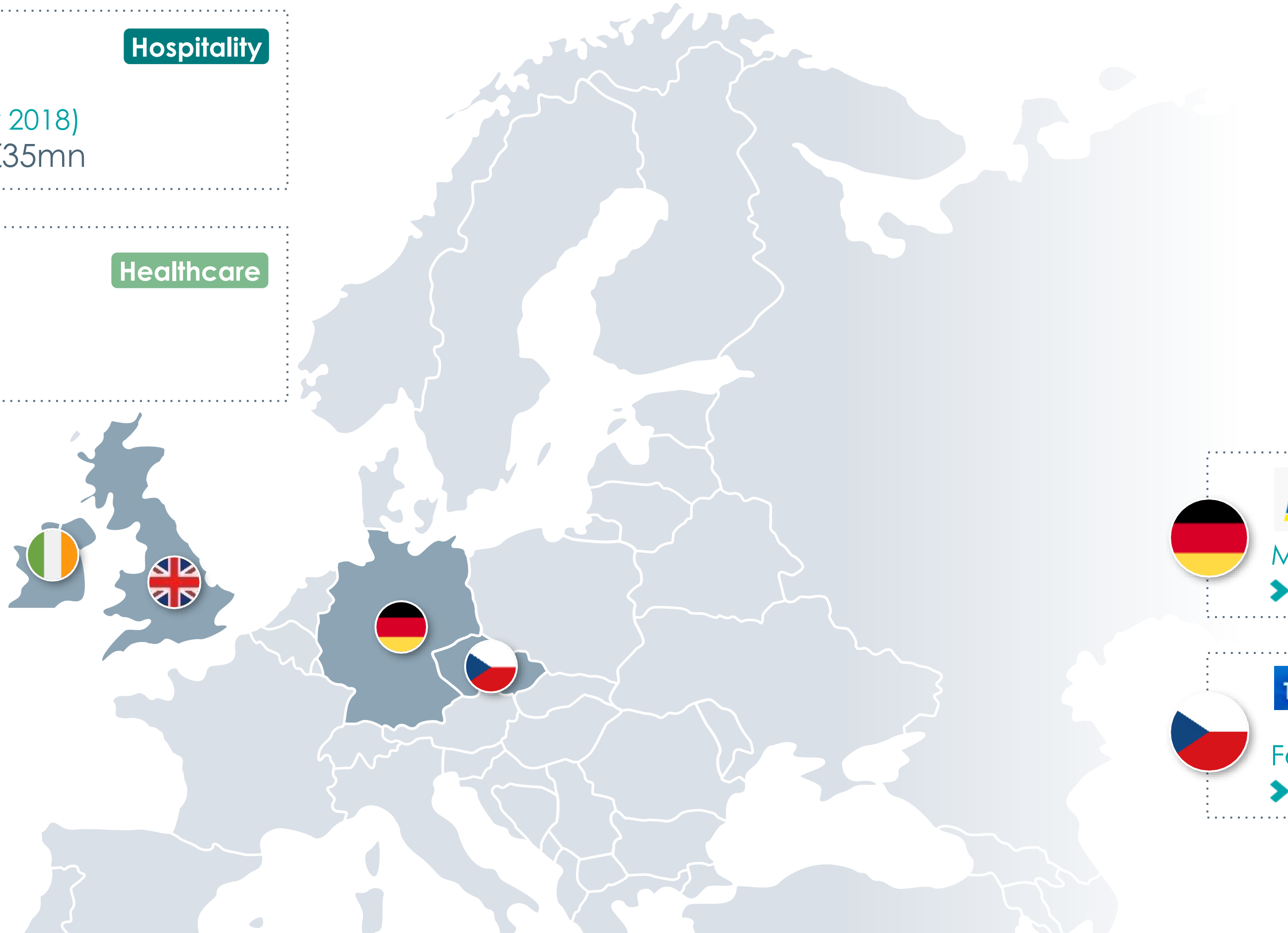
3 acquisitions closed in H1 2020, plus Kings Laundry in Ireland in July

KINGS LAUNDRY — Hospitality

July 2020 (signed in July 2018)
- 2019 revenue: c. €35mn

CENTRAL LAUNDRY — Healthcare

May 2020
- Revenue: c. £4mn



haber TEXTILE DIENSTE — Healthcare

March 2020
- Revenue: c. €20mn

Textile Washing Company — Hospitality

February 2020
- Revenue: c. €4.2mn

H1 2020 M&A impact: +0.7%

H1 2020 business highlights

H1 2020 financial performance

Outlook

Headline net result of c. €50mn in a context of severe topline contraction

(In €mn)	H1 2020	H1 2019	% change
Revenue	**1,351.7**	**1,603.7**	**-15.7%**
EBITDA	**439.9**	**519.0**	**-15.3%**
As a % of revenue	*32.5%*	*32.4%*	*+20bps*
D&A	**(329.6)**	**(313.6)**	
EBIT	**110.3**	**205.5**	**-46.3%**
As a % of revenue	*8.2%*	*12.8%*	*-460bps*
Current operating income	**103.6**	**200.1**	**-48.2%**
Amortization of intangible assets recognized in a business combination	(46.0)	(42.5)	
Non-current operating income and expenses	**(37.2)**	0.3	
Operating income	**20.4**	**157.9**	**-87.1%**
Financial result	**(45.5)**	(73.4)	
Tax	4.1	(24.6)	
Net result from continuing operations	**(21.0)**	**59.9**	**n/a**
Net result	**(21.0)**	**60.9**	**n/a**
Headline net result	**49.7**	**101.7**	**-51.2%**

Percentage change calculations are based on actual figures.

- Higher D&A despite lower linen consumption as a result of a higher asset base resulting from the capex program dedicated to Berendsen, finalized at the end of 2019
- 60% of the D&A corresponds to linen amortization and 40% to other assets (mainly industrial) amortization

- c. €22mn of Covid-19 incremental costs (exceptional bonuses to reward the commitment of our employees, waiver fee, protection equipment, etc...) and restructuring costs for c. €12mn

- Improvement in Financial result: Lower cost of debt as a result of the 2019 refinancing, as well as an abnormally high H1 2019 base (exceptional refinancing fee)

H1 2020 headline net result calculation

(In €mn)	H1 2020	H1 2019
Net result from continuing operations	**(21.0)**	**59.9**
Amortization of intangible assets recognized in a business combination*	***36.5***	***34.2***
IFRS 2 expense*	***6.2***	***4.4***
Accelerated amortization of loans issuing costs *	***0.1***	***1.3***
Breakup costs (refinancing)*	***0.0***	***4.7***
Non-current operating income and expenses:	**27.9**	**(2.9)**
*o/w litigation provision allowance / (reversal)**	*0.4*	*(10.8)*
*o/w Covid-19 incremental costs**	*17.1*	*0.0*
*o/w restructuring costs**	*8.5*	*5.4*
*o/w acquisition-related costs**	*1.6*	*2.2*
*o/w other**	*0.4*	*0.3*
Headline net result	**49.7**	**101.7**

** Net of tax effect*

Free cash flow after lease payments up +€75mn yoy in H1

(In €mn)	H1 2020	H1 2019
EBITDA	**439.9**	**519.0**
Exceptional items and variance of provisions	(32.4)	(8.1)
Acquisition and divestment transaction costs	(1.3)	(2.7)
Other	(0.7)	0.4
Cash flow before net financial costs and tax	**405.6**	**508.6**
Net capex (linen + industrial)	(232.7)	(329.5)
Change in working capital	0.9	(53.2)
Net interest paid	(50.5)	(63.4)
Income tax paid	(34.0)	(46.5)
Free cash flow before lease payments	**89.2**	**16.0**
Lease liabilities payments - principal	(33.1)	(35.5)
Free cash flow after lease payments	**56.1**	**(19.5)**
Acquisitions of subsidiaries, net of cash acquired	(33.6)	(48.7)
Other change arising from subsidiaries (gain or loss of control)	(3.2)	(8.1)
Other flows related to financing operations	(5.1)	(20.5)
Dividends paid	-	(81.3)
Other	(3.7)	6.4
Net financial debt variance	**10.5**	**(171.7)**
	30 June 2020	**31 December 2019**
Net financial debt	**3,361.7**	**3,372.1**

- **Capex to sales ratio of 17,2%** reflecting the lower consumption of linen by our clients

- **Slightly positive change in WCR** due to very strong focus on cash-ins from clients and to the mechanical positive impact on receivables coming from the lower revenue vs last year

- Lower cost of debt

H1 2020 financial charges (cash & non-cash)

(In €mn)	P&L
Financial debt interest (cash)	**(43.8)**
Leasing debt interest (cash)	(4.9)
Adjustment accrued / non accrued interest	15.3
Notional interests (OCEANE)	(4.5)
Amortization of issuing costs	(3.3)
Recurring fees	(2.2)
Interest rate swap	(0.0)
Other (including FX) & change in fair value of derivatives	(2.1)
P&L charge	**(45.5)**

(In €mn)	Cash flow
Financial debt interest (cash)	**(43.8)**
Leasing debt interest (cash)	(4.9)
Interest rate swap	(0.0)
Recurring fees	(2.2)
Other	0.4
Cash outflow	**(50.5)**

Average cost of debt c. 1.5%

Elis has a flexible balance sheet with c. €1.1bn of available liquidity

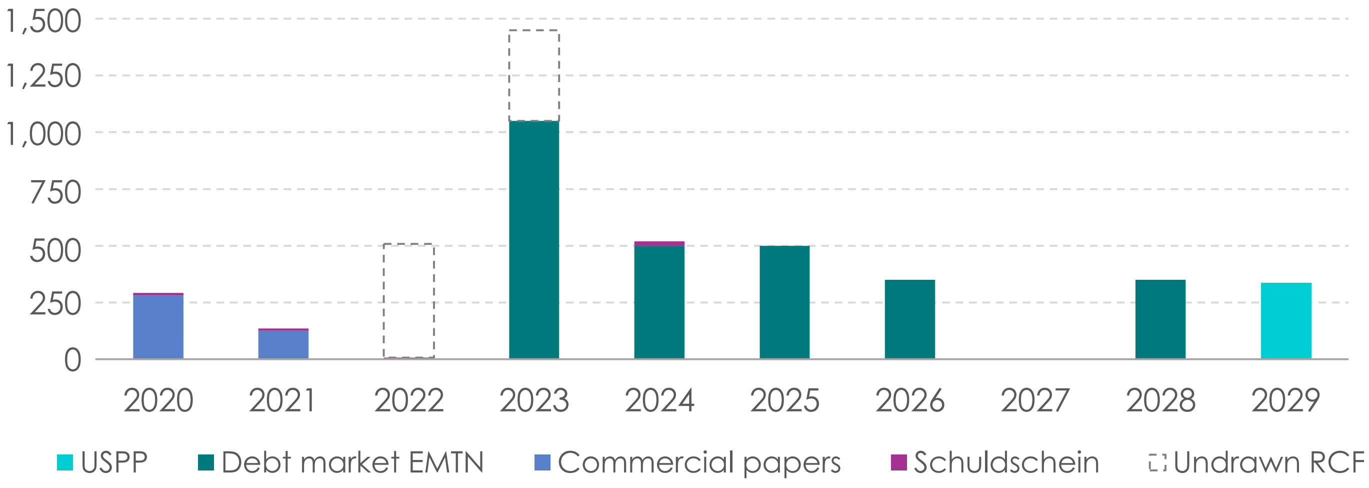
A well-diversified financing

As of 30 June 2020	
Bond (issued 10/2019) €500mn	Coupon 1.0% Maturity 2025
Bond (issued 10/2019) €350mn	Coupon 1.625% Maturity 2028
Bond (issued 04/2019) €500mn	Coupon 1.75% Maturity 2024
USPP (signed 04/2019) €336mn	Coupon 2.70% Maturity 2029
BOND €650mn	Coupon 1.875% Maturity 2023
BOND €350mn	Coupon 2.875% Maturity 2026
Convertible bond €369mn	Coupon 0% Maturity 2023
Commercial paper €406mn	< 1 year
Schuldschein €50mn	Maturity 2020 – 2024
Revolving credit facilities Undrawn €900mn	Maturity 2022 (€500mn undrawn) Maturity 2023 (€400mn undrawn)

Debt: Key H1 highlights

- **Waiver obtained for the bank covenant test as of 30 June 2020, 31 December 2020 and 30 June 2021**
- **Withdrawal of the proposed 2019 dividend**
- **As of July 29: c. €1.05bn of liquidity made up of c. €150mn in cash on the balance sheet and €900mn undrawn cash**
- **Net debt / EBITDA ratio of 3.5x as of 30/06/2020 (< initial covenant level of 3.75x)**

Maturity schedule (as of 30 June 2020)



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Key financial takeaways

1. Significant organic decrease, with the biggest impact in regions exposed to Hospitality but strong resilience in Central Europe, Scandinavia and Eastern Europe and Latin America

2. Resilient EBITDA margin at 32.5% (up +20bps yoy) on the back of speedy operational adjustments

3. Headline net result of c. €50mn

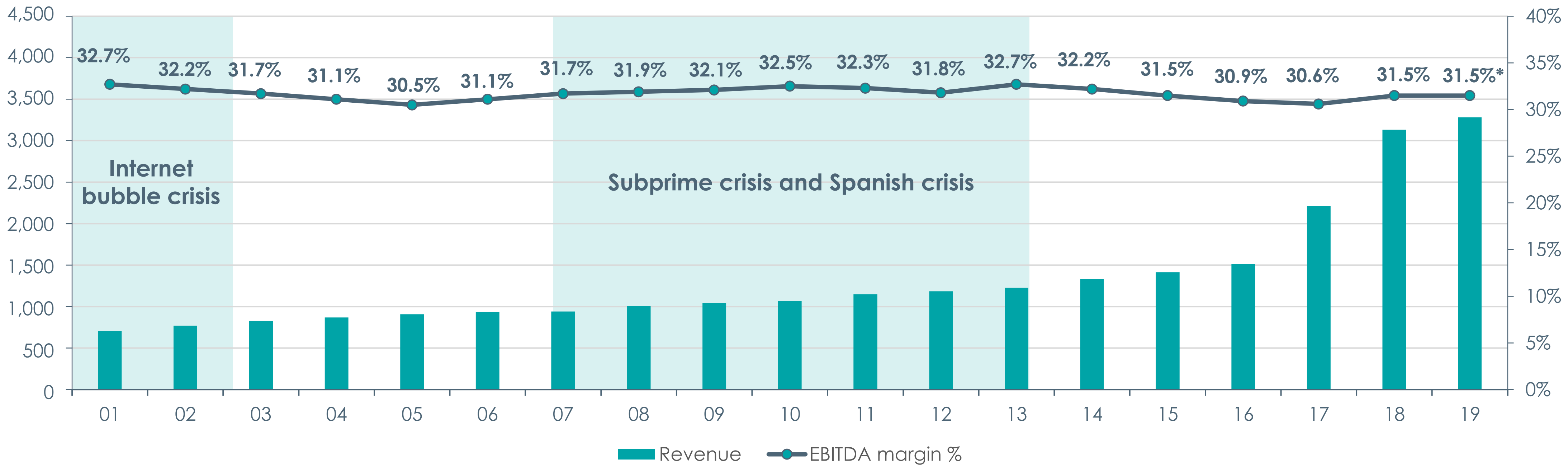
4. Improvement of free cash flow generation at c. €56mn, up +€75mn yoy

H1 2020 business highlights

H1 2020 financial performance

Outlook

The Group will continue to demonstrate business resilience



- Over the last **19** years, Group revenue has posted **continuous organic growth** and **EBITDA margin** has evolved within a **narrow range**
- Our business offers a **silver lining**: When there is lower revenue growth, **linen capex is lower**, resulting in **higher cash generation**

* Excluding IFRS 16 (33.6% including IFRS 16)

July current trading: Industry and Trade & Services continue to pick up; Healthcare back to normal; Hospitality slightly better

Industry

Rev. down c. -5% in July

- A very large part of our Industry business is concentrated in countries where confinement measures were very light (Sweden, the Netherlands, Denmark, Germany) and only a limited decrease was registered in April and May
- June showed a pick-up that is confirmed in July

Hospitality

Rev. down c. -55% in July

- France has largely reopened internal air traffic and hotels and lifted all national confinement measures
- Some lockdowns still in place in some Spanish and Portuguese regions
- Activity is good for mid-range hotels on the French Atlantic coast and French Riviera, as well as on the Spanish Costa Brava and Costa Blanca
- Activity with luxury hotels remains very low in all countries, especially in cities

Healthcare

Rev. around flat in July

- After the decrease in activity seen between March and May (resulting from the rescheduling of non-urgent medical treatments in hospitals to make more room for Covid-19 patients), activity had slightly recovered in June
- July shows further improvement

Trade & Services

Rev. down c. -10% in July

- Activity pick-up noted since mid-May as confinement measures were gradually eased across Europe

FY 2020 outlook

Revenue

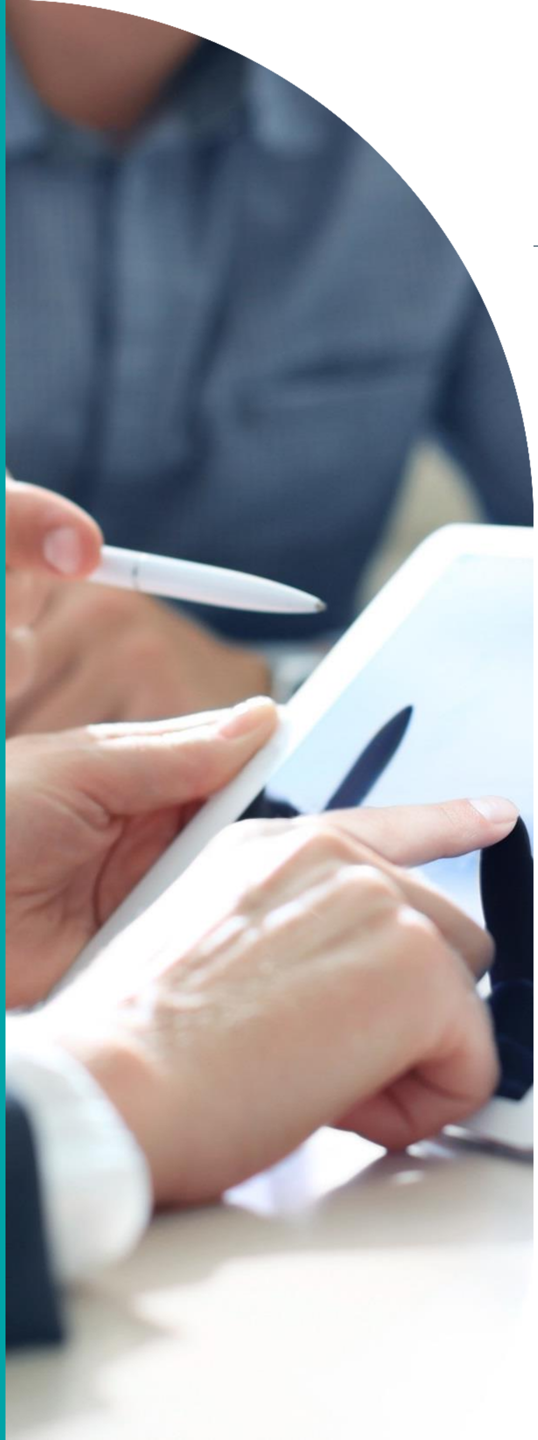
Despite a marked increase of Hospitality in July, many uncertainties remain:

- ✓ Potential future impacts related to a second wave of Covid-19
- ✓ Potential cost-cutting measures at our clients, as a result of an activity slowdown

This does not allow us to provide a revenue outlook for the year

EBITDA margin & Free cash flow generation

- ✓ Thanks to the important efforts to decrease the cost base in H1 and the action plans that have been defined, the Group is facing the next 18 months with serenity
- ✓ In that context, 2020 EBITDA margin and free cash flow should be quite close to what the Group delivered in 2019



Appendix: Restatement of H1 2019 figures

IFRS 3 “Business combinations”

- IFRS 3 requires previously published comparative periods to be retrospectively restated for business combinations (recognition of the final fair value of the assets acquired and the liabilities and contingent liabilities assumed when this fair value was provisionally determined at the previous balance sheet date).

(in €mn)	H1 2019 reported	IFRS 3	H1 2019 restated
Revenue	**1,603.7**	-	**1,603.7**
EBITDA	**519.0**	-	**519.0**
EBIT	**205.5**	-	**205.5**
Current operating income	**200.1**	-	**200.1**
Amortization of intangible assets recognized in a business combination	**(42.1)**	(0.4)	(42.5)
Non-current operating income and expenses	**0.3**	-	0.3
Operating income	**158.3**	(0.4)	**157.9**
Financial result	**(73.4)**	-	(73.4)
Tax	**(24.7)**	0.1	(24.6)
Net result from continuing operations	**60.3**	(0.3)	**59.9**
Net result	**61.3**	(0.3)	**60.9**

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